

VZCZCXRO1458
PP RUEHCHI RUEHDT RUEHHM
DE RUEHJA #1107/01 1100338
ZNY CCCCC ZZH
P 200338Z APR 07
FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC PRIORITY 4409
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHBJ/AMEMBASSY BEIJING PRIORITY 4055
RUEHBY/AMEMBASSY CANBERRA PRIORITY 0677
RUEHUL/AMEMBASSY SEOUL PRIORITY 4053
RUEHKO/AMEMBASSY TOKYO PRIORITY 0479
RHHJJPI/PACOM IDHS HONOLULU HI PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHINGTON DC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0603

C O N F I D E N T I A L SECTION 01 OF 05 JAKARTA 001107

SIPDIS

SIPDIS

DEPT FOR EAP/MTS, EAP/RSP, S/CT AND DS/IP/EAP,
DS/DSS/ITA, DS/CC
TREASURY FOR DERGARABEDIAN, SHARMA, POLITZER
USMISSION UN FOR TESSLER
COMMERCE FOR 4430-BERLINGUETTE
DEPARTMENT PASS FEDERAL RESERVE SAN FRANCISCO FOR FINEMAN

E.O. 12958: DECL: 04/20/2016

TAGS: [EFIN](#) [PTER](#) [ECON](#) [PGOV](#) [ID](#)

SUBJECT: INDONESIA-MIXED PICTURE ON ANTI-MONEY LAUNDERING
AND COUNTER-TERRORISM FINANCING EFFORTS

Classified By: DEPUTY ECONOMIC COUNSELOR FOR REASONS 1.4 b,c,d,e,g

¶1. (SBU) Summary. Indonesia,s Financial Transactions Reports and Analysis Center (PPATK) is receiving more suspicious transaction reports (STRs) than ever before, but the number of prosecutions remains low, at under 10% of cases referred to law enforcement. The Foreign Ministry (DEPLU) admitted for the first time in an April 5 meeting that the Government of Indonesia (GOI) has an inter-ministerial committee to review the &political sensitivity⁸ of United Nations (UN) 1267 Committee designations and recommend whether or not to implement asset freezing. The GOI,s asset freezing process remains slow and bureaucratic, with asset freeze orders taking weeks to go from DEPLU to the Attorney General,s Office, to Bank Indonesia (BI) and ultimately to banks. International Crisis Group terrorism expert Sidney Jones told us Jemaah Islamiyah (JI) is &alive and well⁸ but getting its funding domestically local businesses and medical clinics. Jones speculated there was no attack on foreigners in 2006 because many in JI thought these bombings hurt Indonesians, created a huge backlash of arrests, harmed the JI organization, and fail to bring in new recruits. Discussions about tighter regulation of Indonesian charities are extremely sensitive since many have well-connected benefactors, and police monitoring of charities is difficult because the police are stretched so thin. On the positive side, donor assistance from bilateral (U.S., Australia) and multilateral (European Union, World Bank, Asian Development Bank) donors remains robust. End Summary.

Number of STRs Up...

¶2. (U) During a visit by Southeast Asia Treasury Analyst Derek Politzer and Senior Program Manager for Counter-terrorism Finance and Assistance Anne Galer, we received updates on anti-money laundering (AML) and counter-terrorism efforts in Indonesia. In a meeting with donors on April 4, the PPATK thanks donors for their robust assistance. PPATK members had participated in training sponsored by USAID, the European Community, the Asian

Development Bank, the World Bank, and Australia. The PPATK also reviewed progress, noting that Suspicious Transaction Reports (STR) had increased significantly.

Table 1: Suspicious Transaction Reports,
As of March 31, 2007

Institutions	Number of Companies	Number of STR
-----	-----	-----
Banks	113	7,480
Non Banks:		
Securities	13	60
Money Changers	16	60
Pension Funds	1	1
Finance Companies	7	82
Investment Managers	1	1
Insurance	11	200
Sub Total Non-Bank	49	404
TOTAL	162	7,884

JAKARTA 00001107 002 OF 005

Table 2: STRs Received

Year	Received by	# STRs	Monthly Average
-----	-----	-----	-----
2001	UKIP) BI	14	
2002	UKIP) BI	124	10
2003	UKIP) BI and PPATK	280	23
2004	PPATK	838	79
2005	PAPTK	2,055	171
2006	PPATK	3,482	290
1Q 2007	PPATK	1,091	364
-----	-----	-----	-----
Total STRs Up to 1Q 2007		7,884	

Source: PPATK

...But Prosecutions Still Low

13. (SBU) The PPATK noted that it had referred a number of cases to law enforcement authorities, including 452 cases to the police and 6 cases to the Attorney General's office (AGO). More than 40 cases have been successfully prosecuted, including eight for money laundering offenses. However, the AGO often states it has insufficient evidence, bouncing cases back to the police. According to the PPATK, in 2006, the agency also conducted compliance audits on 24 banks and 24 non-bank institutions throughout Indonesia to evaluate the effectiveness of their reporting under the AML law. In the first quarter of 2007, it audited an additional 18 financial service providers.

14. (U) Indonesia has signed Memoranda of Understanding (MOU) with 18 Financial Intelligence Units (FIUs) from other countries. In 2006 it signed MOUs with China, Japan, Mexico, Canada, Myanmar, Cayman Islands, and South Africa. In 2007, it plans to conclude MOUs with Mauritius, Bermuda and the British Virgin Islands. From 2003) March 31, 2007, the PPATK has handled 160 inquiries in cooperation with the FIUs of other countries including the United States, Australia, Singapore, Cook Islands, Guernsey Islands, China, Philippines, Switzerland, Malaysia, Belgium, Thailand, Taiwan, Mauritius, British Virgin Islands, Macao and others.

AML/CT-Related Laws Moving Forward

15. (U) In addition to passing Law 1/2006 on Mutual Legal Assistance (MLA) in March 2006, Indonesia has ratified several international conventions including:

- A) The International Convention for the Suppression of Terrorist Bombing, 1997, ratified by Law 5/2006;
- B) The International Convention for the Suppression of the Financing of Terrorism, 1999, ratified by Law 6/2006;
- C) The United Nations Convention against Corruption, 2003, which is ratified by Law 7/2006.

16. (U) In 2006, Parliament also passed Law 13/2006 concerning Witness Protection. The law, which had been pending for six years, for the first time allows for the establishment of an agency to ensure protection of witnesses and victims. President Yudhoyono also forwarded an amendment to the AML

JAKARTA 00001107 003 OF 005

Law amendment to Parliament on October 10, 2006. The GOI expects discussions with Parliament on the AML amendment in the coming months.

Fifth Anniversary of AML Law

17. (SBU) At a function for the Fifth Anniversary of the AML Law on April 17, PPATK Head Yunus Husein gave a speech during which he expressed thinly disguised frustration that Parliamentary discussions have not yet begun. &We are currently awaiting further information regarding the schedule of hearings in Parliament,s Commission III. Hopefully the amendment can be discussed in the near future,8 Husein stated. According to Husein, the amendment covers five main issues:

- a) Expanding the number of parties required to file STRs to include non-financial businesses;
- b) Closing loopholes in current AML law concerning legal proceedings of money laundering crimes;
- c) Widening the reach of law enforcement officials for money laundering investigations including giving authority for predicate crime investigators to conduct money laundering investigations;
- d) Restructuring the relationship between authorities responsible for money laundering;
- e) Strengthening PPATK by granting it the authority to investigate cases, trace assets, and returning forfeited assets to the state.

18. (SBU) President Yudhoyono stated in a speech at the same event that &Money laundering is a crime which hurts the economy in countless ways. Information sharing among concerned agencies and a firm attitude by law enforcement are important for success.8 The Executive Director of the Philippines Anti-Money Laundering Council Vincente Aquino and

the CEO of the Australian Transaction Reports and Analysis Centre, Neil Jensen, also spoke at the event, outlining the FIU regimes in their countries.

1267 Delays Due to &Political Sensitivity8

¶9. (SBU) We met with Yonatri Rilmania of Deplu,s Directorate of International Security and Disarmament on April 5 to discuss CTF issues. Rilmania told us that the GOI has inter-ministerial meetings regarding Indonesian designees on the 1267 list, to review &political sensitivity.8 He said the Attorney General,s Office (AGO) participates, as well as Bank Indonesia at the Director Level. This is the first time that DEPLU has admitted it had a formal review committee for political sensitivity, though we have suspected such a mechanism for some time. (Note: While an interesting admission, Rilmania apologized repeatedly during the meeting that the 1267 Committee is not his regular portfolio and appeared ill at ease with the topic.)

¶10. (SBU) On the actual GOI process, Rilmania said that the GOI receives notification of new 1267 designees from Indonesia,s UN Mission in New York. Then DEPLU sends a letter to the AGO, which in turn notifies Bank Indonesia (BI), which in turn notifies the banks. However, the compliance officer at a large domestic bank told us earlier this year that the bank had &never8 received an asset freezing order from BI. When we asked about the status of the GOI,s implementation of the UN 1267 designation of Abu Bakar Bashir (ABB), Rilmania replied defensively, &We have our own legal process to handle Bashir and have done our job. The judicial process is strictly applied to these

JAKARTA 00001107 004 OF 005

individuals8, he said. Rilmania added that the GOI is very committed to uncovering terrorist activities but prefers police raids and other law enforcement actions. (Note: The precise status of the GOI,s implementation of the ABB designation remains unclear. Rilmania,s boss told us last year that Deplu had forwarded a request to issue an asset freezing order to the AGO in May 2006. However, a BI Deputy Governor later said the bank had never received a request from the AGO. He added the ABB case was &very difficult8 and &politically sensitive.8)

Sidney Jones: JI is Alive and Well

¶11. (C) In an April 4 meeting, Sidney Jones of the International Crisis Group (ICG) noted that Jemaah Islamiyah (JI) is &alive and well.8 She said the ICG was not aware of some aspects of JI,s leadership structure until the police raids and arrests of April 3. She said from January) June 2003, JI began taking the military concept out of the wakalah structure and reporting directly to the mantigi, and that Abu Dujana had served as the commander of a structure with four units under him. Dujana clearly had links to the Java and central Java JI branches, and the police are hot on his trail. Jones said the territorial structure of JI was important for recruiting members and financing. &There has been no significant outside funding of Indonesia,s JI since the 2003 Marriot Bombing,8 she stated. While the JI is committed to violence and attacks, it is finding that domestic targets such as the Satya Wacana Christian university in central Java and the Attorney General,s Central Java Office are easier and cheaper targets than international ones, Jones added.

¶12. (C) Jones said that JI is creative in its domestic funding sources, which include a bread-making company in Semarang and Surabaya and formerly, a courier company CV Sajira (now defunct). JI also uses the sale of traditional herbal and Islamic medicines, including honey-based remedies such as eye drops, to help fund terrorist operations. Some of these medicines are given Arabic labels and made to seem

as if they are products of Saudi Arabia, even though they are locally produced. There are clinics linked to the distribution of these herbals, which are quite popular. Jones said she suspects the firm &Basmalah Foods⁸ and the multi-level marketing company &Nature Aid⁸ are funding JI. &Businesses like this keep day-to-day JI operations going,⁸ Jones said. Advertisements for these products can be found in Islamic bookstores in journals such as &Al Fatah⁸ and Al Risalah.⁸ She also said the Association of Islamic Publishers in Solo was linked to JI. She suggested that the websites &sabiluna.net⁸ and &alquodiun.net⁸ had JI links.

Why No Bombing in 2006?

¶13. (C) Indonesia has suffered a series of major bomb attacks targeting foreigners starting in 2002 (Bali I); 2003 (Marriot Hotel, Jakarta); 2004 (Australian Embassy, Jakarta); and 2005 (Bali II). Asked why there was no attack in 2006, Jones said that it was mainly Noordin Top who interested in that kind of attack. Others in JI, however, note that these bombings hurt Indonesians, create a huge backlash of arrests, harm the JI organization, and fail to bring in new recruits. &Small, targeted assassinations are better at bringing in recruits,⁸ Jones stated. Poso is the only place, so far, where targeted JI assassinations have been committed.

Charities &Extraordinarily Sensitive⁸

¶14. (C) Jones was of the view that the police are too stretched following terrorists and criminals to monitor

JAKARTA 00001107 005 OF 005

charities. The Kompak branches in Ambon and Poso operate fairly independently from each other, and have different financing needs. Jones did not share the view that Al Haramain and IIRO were heavily involved in illegitimate activities. Contacts from other Embassies confirmed that the issue of charities in Indonesia is &extraordinarily sensitive.⁸ Many have high-profile and well-connected sponsors and benefactors. While foundations and charities are registered under the Ministry of Social Welfare, their activities are not monitored or scrutinized. Indonesia has tens of thousands of social, religious, political, and educational charities and foundations.

HEFFERN